



Control Number: 50200



Item Number: 2086

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**PUC DOCKET NO. 50200**  
**SOAH DOCKET NO. 473-20-3110:WS**

**APPLICATION OF UNDINE TEXAS,  
LLC AND UNDINE TEXAS  
ENVIRONMENTAL, LLC FOR  
AUTHORITY TO CHANGE RATES**

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**2020 NOV -5 AM 11:58**  
**PUBLIC UTILITY COMMISSION**  
**OF TEXAS**

**ORDER**

This Order addresses the application of Undine Texas, LLC and Undine Texas Environmental, LLC for authority to change their tariffed rates for water service and sewer service. The parties in this docket filed a unanimous agreement on the terms of the rate and tariff changes. The Commission approves the agreed rates and associated tariffs to the extent provided in this Order.

The Commission expressly does not decide in this proceeding which entity or combination of entities constitutes the utility or retail public utility. The Commission reserves these decisions for a future proceeding. As a result, the term Undine Texas in this Order refers to Undine Texas, LLC or a combination of entities including Undine Texas, LLC that constitutes the water utility in this proceeding. And the term Undine Environmental refers to Undine Texas Environmental, LLC or a combination of entities including Undine Texas Environmental, LLC that constitutes the sewer utility in this proceeding.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicant**

1. Undine Texas, LLC is a limited liability corporation registered with the Texas secretary of state under filing number 802339329.
2. Undine Texas owns for compensation facilities and equipment for the transmission, storage, distribution, sale, or provision of potable water to the public in Texas in Brazoria, Fort Bend, Harris, Johnson, Matagorda, Montgomery, and Tarrant counties.

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3. Undine Texas provides potable water service for compensation to approximately 6,000 connections across multiple, geographically separate service areas under water certificate of convenience and necessity (CCN) number 13260.
4. Undine Texas Environmental, LLC is a limited liability corporation registered with the Texas secretary of state under filing number 801768069.
5. Undine Texas Environmental, LLC is a wholly owned subsidiary of Undine Texas, LLC.
6. Undine Environmental owns for compensation facilities and equipment for the collection, transportation, treatment, or disposal of sewage to the public in Texas in Brazoria, Tarrant, Parker, Johnson, Chambers, and Galveston counties.
7. Undine Environmental provides sewer service for compensation to approximately 2,000 connections across multiple, geographically separate service areas under sewer CCN numbers 20816, 20832, 21019, and 21026.

**Application**

8. On December 20, 2019, Undine Texas filed an application to change its water rates and associated tariff and Undine Environmental's sewer rates and associated tariff under Texas Water Code (TWC) § 13.1871.
9. The basis for the application was that Undine Texas and Undine Environmental have acquired more than 70 small to mid-size water or wastewater systems since 2016.
10. In Order No. 3 filed on February 7, 2020, the Commission administrative law judge (ALJ) restyled the petition to add Undine Texas Environmental, LLC.
11. The application is based on a historical test year ending September 30, 2019, adjusted for known and measurable changes.
12. In the application, Undine Texas and Undine Environmental requested an overall revenue increase of \$2.63 million for Undine Texas and an overall revenue increase of \$1.82 million for Undine Environmental over their adjusted test-year revenues.
  - a. Undine Texas and Undine Environmental requested a revenue requirement of \$5,969,879 for Undine Texas and a revenue requirement of \$3,279,565 for Undine Environmental.

- b. Undine Texas and Undine Environmental requested a rate of return of 9.03%.
13. In the application, Undine Texas requested a consolidated water tariff for the following public water systems:

Formerly Orbit Systems Inc.

System Name	PWS ID No.	County
723 Utility/Riverside Ranch Subdivision	0790425	Fort Bend
Angle Acres Water System	0200244	Brazoria
Bayou Colony Subdivision	0200358	Brazoria
Beechwood Subdivision	0200245	Brazoria
Bernard Oaks Subdivision	0200338	Brazoria
Blue Sage Gardens Subdivision	0200323	Brazoria
Brandi Estates	0200325	Brazoria
Briar Meadows	0200410	Brazoria
Colony Cove	0200324	Brazoria
Colony Trails	0200604	Brazoria
Coronado Country	0200275	Brazoria
Country Acres Estates	0200274	Brazoria
Country Meadows	0200273	Brazoria
Crystal Lake Estates	0790510	Fort Bend
Demi-John Place Water System	0200185	Brazoria
Demi-John Island Water System	0200234	Brazoria
Larkspur Subdivision	0200339	Brazoria
Lee Ridge	0200506	Brazoria
Los Robles Subdivision, formerly Brazos Oaks Subdivision	0200639	Brazoria
Mark V Estates	0200432	Brazoria
Mooreland	0200094	Brazoria
Quail Valley Ranches Sec. IV	0200592	Brazoria
Riverside Estates	0200058	Brazoria
Rosharon Road Estates	0200346	Brazoria
Ryan Long I	0200110	Brazoria
Ryan Long II	0200108	Brazoria
San Bernard River Estates	0200460	Brazoria
Sandy Meadows Estates	0200335	Brazoria
Snug Harbor	0200053	Brazoria
Spanish Bit Plantation	1610102	Matagorda
Tejas Lakes Subdivision	0790504	Fort Bend
Village Lakes	0200638	Brazoria
Wilco Water/Holiday Beach	0200083	Brazoria
Wolf Glen	0200370	Brazoria

Formerly Community Utility Company

System Name	PWS ID No.	County
Forest Manor Subdivision	1010264	Harris
Heathergate Estates	1011302	Harris
Sweetgum Estates	1700113	Montgomery

Formerly Consumers Water, Inc.

System Name	PWS ID No.	County
Greengate Acres	1010132	Harris
Huffman Heights	1010700	Harris
Highland Mobile Home Subdivision	1010285	Harris
Highland Ridge	1010157	Harris
Joy Village	1700021	Montgomery
Lakewood Colony	1700029	Montgomery
Meadowlake Estates	1010287	Harris
Pioneer Trails	1700114	Montgomery
Peach Creek Oaks	1700051	Montgomery
Porter Terrace	1700161	Montgomery
Spring Forest	1700033	Montgomery
Springmont	1010255	Harris
Tall Cedars Mobile Home Subdivision	1010219	Harris
Urban Acres Subdivision	1010252	Harris

Formerly Suburban Utility Company

System Name	PWS ID No.	County
Baumont Place	1010098	Harris
Castlewood Subdivision	1010111	Harris
Cypress Bend Subdivision	1010119	Harris
Reservoir Acres Subdivision	1010197	Harris

Formerly Gulf Coast Utility Company, Inc.

System Name	PWS ID No.	County
Cold River Ranch Subdivision, Southwood Estates	0200403	Brazoria
Magnolia Bend (formerly Kucera Farms) Subdivision	0200665	Brazoria
Spring Crossing Subdivision/288 Business Park	0200666	Brazoria

Formerly Chuck Bell dba Chuck Bell Water Systems, LLC

System Name	PWS ID No.	County
Bear Creek Estates	2200336	Tarrant
Bell Manor Subdivision	1260080	Johnson
Buffalo Creek	1260084	Johnson
Crowley II Acre Subdivision, Stonefield Subdivision	1260012	Johnson
John Dame	1260090	Johnson
Martin Creek Estates	1260122	Johnson
Rock Creek Estates	1260082	Johnson
Sanders View Subdivision	1260086	Johnson

14. In the application, Undine Texas and Undine Environmental requested a consolidated sewer tariff for the Cold River Ranch, Southwood Estates, Spring Crossing/288 Business Park, Mayfair, Mayfair South, Mayfair West, Sugartree, Country Vista WWTP, Grand Ranch, Laguna WWTP, Crystal Palace WWTP, Angle Acres WWTP, and Beechwood WWTP sewer systems.

15. In the application, Undine Texas requested the following pass-through charges:

All Former Orbit Systems, Inc. customers:

Brazoria County Groundwater Conservation District production fee.....  
.....\$0.03 per 1,000 gal. of water usage

723 Utility/Riverside Ranch subdivision only:

North Fort Bend Water Authority production fee.....\$3.68 per 1,000 gal. of water usage

Forest Manor and Heathergate subdivisions only:

City of Houston Groundwater Reduction Plan Fee .....\$1.05 per 1,000 gal. of water usage  
(The pass-through fee is adjusted for line loss )

Sweetgum Forest, Sweetgum Estates customers only:

Aqua Texas, Inc. regional pass-through gallonage charge .....\$1.31 per 1,000 gal. of water usage  
(The pass-through fee is adjusted for line loss )

Porter Terrace and Spring Forest customers only:

San Jacinto River Authority .....\$3.11 per 1,000 gal. of water usage  
(The pass-through fee is adjusted for line loss )

Greengate Acres and Springmont customers only:

North Harris County Regional Water Authority .....\$3.41 per 1,000 gal. of water usage  
(The pass-through fee is adjusted for line loss.)

Huffman Heights and Urban Acres customers only:

City of Houston groundwater reduction plan fee.....\$1.05 per 1,000 gal. of water usage  
(The pass-through fee is adjusted for line loss )

Meadowlake Estates subdivision customers only:

City of Houston groundwater reduction plan fee.....\$2.80 per 1,000 gal. of water usage  
*(The pass-through fee is adjusted for line loss )*

Pioneer Trails subdivision customers only:

Crystal Springs wholesale purchase water fee.....  
.....\$23.95 per connection plus \$8.41 per 1,000 gal. of water usage

Cypress Bend subdivision customers only:

North Harris County Regional Water Authority.....\$5.28 per 1,000 gal. of water usage  
*(The pass-through fee is adjusted for line loss )*

Castlewood subdivision customers only:

City of Houston.....\$1.04 per 1,000 gal. of water usage

Beaumont Place subdivision customers only:

Harris County MUD No. 421 .....\$4.75 per 1,000 gal. of water usage  
*During the time of emergency interconnect with Harris County MUD No. 421, Undine's current gallonage charge will not apply*

Bell Manor subdivision customers only:

Purchased water fees for Johnson County Special Utility District.....  
.....\$2.51 per 1,000 gal. of water usage

Bear Creek Estates subdivision customers only:

Northern Trinity Groundwater Conservation District water production fee.....  
.....\$0.15 per 1,000 gal. of water usage

All former Chuck Bell Water Systems, LLC customers only, except Bear Creek Estates Customers in Tarrant County:

Prairielands Groundwater Conservation District water production fee.....  
.....\$0.24 per 1,000 gal. of water usage

16. In Order No. 4 filed on February 18, 2020, the Commission ALJ found Undine Texas and Undine Environmental's rate application administratively complete and suspended Undine Texas and Undine Environmental's proposed rates for 265 days until October 15, 2020.
17. In State Office of Administrative Hearings (SOAH) Order No. 5 filed on June 8, 2020, the SOAH ALJs extended the suspension period until October 29, 2020.

**Notice of the Application**

18. On December 20, 2019, Undine Texas and Undine Environmental provided notice of the application by first-class mail to each customer or other affected party. On the same day, Undine Texas filed the affidavit of Carey A. Thomas, senior vice president of Undine Texas, who testified that notice of the application had been provided as described in this finding of fact.

19. The notice of the application described the process by which a ratepayer could file a complaint under TWC § 13.1871(n) but did not include the number of ratepayers equal to 10% of Undine Texas's and Undine Environmental's ratepayers whose rates are subject to the Commission's original jurisdiction.
20. On February 4, 2020, Commission Staff filed its recommendation on administrative completeness of the application and notice and its request for referral. Commission Staff recommended that Undine Texas's notice satisfied the requirements of TWC § 13.1871(b) and 16 Texas Administrative Code (TAC) § 24.27(d)(1) because the Commission had already received protests from more than 10% of the ratepayers despite failing to include this number in the notices.
21. In Order No. 4 filed on February 18, 2020, the Commission ALJ deemed Undine Texas and Undine Environmental's notice of the application to be sufficient.

**Interventions and Protests**

22. More than 10% of the ratepayers affected by the proposed rate increases filed protests in this docket.
23. In Order No. 2 filed on January 13, 2020, the Commission ALJ granted intervenor status to the Office of Public Utility Counsel (OPUC).
24. In SOAH Order No. 2 filed on May 12, 2020, the SOAH ALJs granted intervenor status to the Town of Dennis, Gary Blanchat, Marie Butler, Eurice Meeker, Brandon Smith, Monica Jones, Debbie Yancey, Country Vista Homeowners Committee, and Britney May.
25. In SOAH Order No. 4 filed on June 8, 2020, the SOAH ALJs granted the intervention of Beechwood Homeowners Association, Inc. (Beechwood HOA); Demi-John Community Residents (Demi-John Residents); Mayfair South Homeowners Association, Inc. (Mayfair South HOA); Riverside Ranch Homeowners Association (Riverside Ranch HOA); The Reserve at SugarTree POA, Inc. (SugarTree POA); the Homeowners Association of Tejas Lakes (Tejas Lakes HOA); Brazoria Cold River Ranch Association, Inc.; and Al Richardson. The SOAH ALJs also denied Robert Garner's motion to intervene.



**Referral to SOAH**

26. On March 19, 2020, the Commission referred this proceeding to SOAH.
27. On May 1, 2020, the Commission filed a preliminary order.
28. In SOAH Order No. 4 filed on June 8, 2020, the SOAH ALJs memorialized the June 2, 2020 prehearing conference, reset the hearing on the merits to a hearing via videoconference from June 29 through July 3, 2020, and set a second prehearing conference for June 22, 2020, via videoconference.
29. In SOAH Order No. 7 filed on June 17, 2020, the SOAH ALJs adopted a revised procedural schedule proposed by Undine Texas, Undine Environmental, and Commission Staff, resetting the date of the hearing on the merits to July 23 through 24, 2020.
30. In SOAH Order No. 9 filed on July 7, 2020, the SOAH ALJs conditionally granted Undine Texas and Undine Environmental's motion to abate, on the condition that Undine Texas and Undine Environmental file a statement by July 10, 2020, further extending the effective date of the proposed rate increase on a day-for-day basis for as long as the matter remained abated and requiring that the parties file a report on the status of a settlement on or before August 5, 2020.
31. On August 5, 2020, Undine Texas and Undine Environmental informed the SOAH ALJs that they had reached an agreement in principle with Commission Staff; OPUC; Beechwood HOA; Britney May; Brandon Smith, in his individual capacity and as a representative of Monica Jones, Debbie Yancey, and the SugarTree POA; Brazoria Cold River Ranch Association; Country Vista Homeowners Committee; Demi-John Residents; the Town of Dennis; Eurice Meeker; Gary Blanchat; Marie Butler; Mayfair South HOA; Al Richardson; Riverside Ranch HOA; and Tejas Lakes HOA (collectively, the signatories).
32. On August 13, 2020, the signatories jointly submitted a unanimous request to admit evidence and an agreement between the parties on all issues with an attached proposed order and proposed tariff.

33. In SOAH Order No. 10 filed on August 21, 2020, the SOAH ALJs dismissed the case from SOAH's docket and returned the case to the Commission.

**Testimony**

34. On December 20, 2019, Undine Texas filed the direct testimonies of the following witnesses with the application: Edward R. Wallace, Sr., Undine Texas, LLC's president and CEO; Donald J. Clayton, principal and chief financial officer of Tangibl Group, Inc.; William Andrew (Andy) Thomas, Undine Texas, LLC's senior vice-president; Fred (Rick) Melcher III, Undine Texas, LLC's manager of public relations; and Georgia N. Crump, an attorney and a principal at Lloyd Gosselink Rochelle & Townsend, P.C.
35. On June 3, 2020, OPUC filed the direct testimony of Chris Ekrut, Al Richardson filed direct testimony, Beechwood HOA filed the statement of position and direct testimony of Britney May, and the SugarTree POA filed the direct testimony of Brandon Smith.
36. On June 10, 2020, Commission Staff filed the direct testimonies of Leila Guerrero, Adrian Navaez, Roshan Pokhrel, Spencer English, and Kathryn Eiland.
37. On June 25, 2020, Beechwood HOA filed a request to supplement the direct testimony of Britney May.
38. On June 30, 2020, Undine Texas and Undine Environmental filed objections and a motion to strike Beechwood HOA's request to supplement Britney May's direct testimony.
39. In SOAH Order No. 8 filed on July 6, 2020, the SOAH ALJs denied Beechwood HOA's request to supplement Britney May's direct testimony.

**Evidentiary Record**

40. In SOAH Order No. 10 filed on August 21, 2020, the SOAH ALJs admitted into the evidentiary record the exhibits listed in the parties' agreed motion to admit evidence filed on August 13, 2020. Those exhibits were as follows:
- (a) the application of Undine Texas for authority to change rates filed on December 20, 2019;
  - (b) the direct testimony of Edward R. Wallace, Sr. filed on December 20, 2019;
  - (c) the direct testimony of Donald J. Clayton filed on December 20, 2019;

- (d) the direct testimony of William Andrew (Andy) Thomas filed on December 20, 2019;
- (e) the direct testimony of Fred (Rick) Melcher III filed on December 20, 2019;
- (f) the direct testimony of Georgia N. Crump filed on December 20, 2019;
- (g) Undine Texas's supplemental filing to its application for authority to change rates filed on January 22, 2020;
- (h) Commission Staff's recommendation on administrative completeness of the application and notice and request for referral filed on February 4, 2020;
- (i) the direct testimony of Al Richardson filed on June 3, 2020;
- (j) the redacted direct testimony and workpapers of Chris Ekrut filed on June 3, 2020;
- (k) the confidential pages of direct testimony and workpapers of Chris Ekrut filed on June 3, 2020;
- (l) the direct testimony of Britney May filed on June 3, 2020;
- (m) the direct testimony of Brandon Smith filed on June 3, 2020, as amended by SOAH Order No. 8;
- (n) the direct testimony of Leila Guerrero filed on June 10, 2020;
- (o) the direct testimony and workpapers of Adrian Narvaez filed on June 10, 2020;
- (p) the direct testimony of Roshan Pokhrel filed on June 10, 2020;
- (q) the direct testimony and workpapers of Spencer English filed on June 10, 2020;
- (r) the direct testimony and workpapers of Kathryn Eiland filed on June 10, 2020;
- (s) the agreement with agreed tariffs and agreed proposed final order filed on August 13, 2020;
- (t) the supplemental direct testimony of Edward R. Wallace, Sr., in support of the agreement, filed on August 13, 2020; and
- (u) the direct testimony of Kathryn Eiland in support of the agreement, filed on August 13, 2020.

**Consolidation of Systems**

41. The water systems that Undine Texas proposes to consolidate are all groundwater systems and are mostly served by wells on-site. As a result, their operations are substantially similar. They have the same maintenance requirements for their wells, storage tanks, pump

houses, distribution mains, and all associated equipment needed to produce, store, and distribute water.

42. All water systems that Undine Texas proposes to consolidate in this proceeding are subject to the same regulations and are substantially similar in terms of their quality of service.
43. The wastewater treated by each system is residential wastewater. There are no industrial or large commercial customers on any of the systems. As a result, Undine Environmental's wastewater facilities are substantially similar.
44. All sewer systems that Undine Environmental proposes to consolidate in this proceeding are subject to the same regulatory requirements and are substantially similar in terms of their quality of service.
45. Undine Texas did not perform cost-of-service studies for each water system for which it sought consolidated rates.
46. Undine Environmental did not perform cost-of-service studies for each sewer system for which it sought consolidated rates.
47. OPUC's witness Chris Ekrut analyzed the operations and maintenance cost-per-meter equivalent for water and concluded that the water systems for which Undine Texas proposed consolidated rates are substantially similar in terms of cost of service.
48. Mr. Ekrut analyzed the operations and maintenance cost-per-meter equivalent for sewer and concluded that the sewer systems for which Undine Environmental proposed consolidated rates are substantially similar in terms of cost of service.
49. Mr. Ekrut's descriptive statistical analysis of operations and maintenance cost-per-meter equivalents is sufficient to demonstrate that Undine Texas's water systems are substantially similar in terms of cost of service. His analysis is also sufficient to demonstrate that Undine Environmental's sewer systems are substantially similar in terms of cost of service.

**Revenue Requirements, Rates, and Pass-Throughs**

**a. Undine Texas, LLC**

50. The signatories agreed that Undine Texas's annual revenue requirement for water CCN number 13260 is \$5,217,338.

51. The signatories agreed that Undine Texas's annual revenue requirement includes the change in Undine Texas's federal income tax rate from 34% to 21% as a result of the Tax Cuts and Jobs Act of 2017.<sup>1</sup>
52. The signatories agreed that Undine Texas should be allowed to implement the retail water rates below, which are located in the water tariff attached to the agreement as exhibit B.

**Rate Year 1**

**Effective Date: August 1, 2020**

<u>Meter Size</u>	<u>Monthly Base Rate</u>	<u>Gallage Charge</u>
5/8"	<u>\$37.81</u> (Includes 0 gallons)	<u>\$2.02</u> per 1,000 gallons from 0 to 6,000 gallons
3/4"	<u>\$56.72</u>	<u>\$2.94</u> per 1,000 gallons from 6,001 to 15,000 gallons
1"	<u>\$94.53</u>	<u>\$5.25</u> per 1,000 gallons from 15,001 to 25,000 gallons
1½"	<u>\$189.05</u>	<u>\$7.79</u> per 1,000 gallons from 25,001+ gallons
2"	<u>\$302.48</u>	
3"	<u>\$567.15</u>	
4"	<u>\$983.06</u>	
Other (unmetered)	<u>\$60.50</u>	

**Rate Year 2**

**Effective Date: August 1, 2021**

<u>Meter Size</u>	<u>Monthly Base Rate</u>	<u>Gallage Charge</u>
5/8"	<u>\$44.37</u> (Includes 0 gallons)	<u>\$2.21</u> per 1,000 gallons from 0 to 6,000 gallons
3/4"	<u>\$66.56</u>	<u>\$3.13</u> per 1,000 gallons from 6,001 to 15,000 gallons
1"	<u>\$110.93</u>	<u>\$5.44</u> per 1,000 gallons from 15,001 to 25,000 gallons
1½"	<u>\$221.85</u>	<u>\$7.98</u> per 1,000 gallons from 25,001+ gallons
2"	<u>\$354.96</u>	
3"	<u>\$665.55</u>	
4"	<u>\$1,153.62</u>	
Other (unmetered)	<u>\$70.99</u>	

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<sup>1</sup> Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018, Pub. L. No. 115-97, 113 Stat. 2054 (Dec. 22, 2017).

**Rate Year 3**

**Effective Date: August 1, 2022**

<u>Meter Size</u>	<u>Monthly Base Rate</u>	<u>Gallonge Charge</u>
5/8"	<u>\$50.93</u> (Includes 0 gallons)	<u>\$2.41</u> per 1,000 gallons from 0 to 6,000 gallons
3/4"	<u>\$76.40</u>	<u>\$3.33</u> per 1,000 gallons from 6,001 to 15,000 gallons
1"	<u>\$127.33</u>	<u>\$5.64</u> per 1,000 gallons from 15,001 to 25,000 gallons
1½"	<u>\$254.65</u>	<u>\$8.18</u> per 1,000 gallons from 25,001+ gallons
2"	<u>\$407.44</u>	
3"	<u>\$763.95</u>	
4"	<u>\$1,324.18</u>	
Other (unmetered)	<u>\$81.49</u>	

53. The signatories agreed that the water rate increases shown in exhibit B to the agreement will be phased in over three years such that each increase will not be effective less than 12 months after the preceding increase. The signatories further agreed that the three annual water rate increases will each increase rates by one-third of the agreed overall water revenue requirement increase.
54. The signatories agreed that the water rates shown in exhibit B to the agreement will be designed using both the altered billing determinants for the former Chuck Bell utility and the consolidated rate design methodology presented in the direct testimony of Chris Ekrut.
55. The signatories agreed that the rates shown in exhibit B to the agreement are just and reasonable and are in accordance with the public interest.
56. The water tariff attached as exhibit B to the agreement reflects the following pass-through provisions:

All Former Orbit Systems, Inc. customers:

Brazoria County Groundwater Conservation District production fee.....  
.....\$0.03 per 1,000 gal. of water usage

723 Utility/Riverside Ranch subdivision only:

North Fort Bend Water Authority production fee.....\$3.68 per 1,000 gal. of water usage  
\$3.35 / (1 – 0.09) = \$3.68

Forest Manor and Heathergate subdivisions only:

City of Houston groundwater reduction plan fee.....\$1.53 per 1,000 gal. of water usage  
\$0.894 / (1 – 0.15) = \$1.53

Sweetgum Forest, Sweetgum Estates customers only:

Aqua Texas, Inc. regional pass-through gallonage charge .....\$7.66 per 1,000 gal. of water usage  
 $\$5.01 / (1 - 0.345546) = \$7.66$

Porter Terrace customers only:

San Jacinto River Authority .....\$4.25 per 1,000 gal. of water usage  
 $\$2.64 / (1 - 0.3789) = \$4.25$

Spring Forest customers only:

San Jacinto River Authority .....\$3.82 per 1,000 gal. of water usage  
 $\$2.64 / (1 - 0.3089) = \$3.82$

Greengate Acres customers only:

North Harris County Regional Water Authority .....\$5.86 per 1,000 gal. of water usage  
 $\$3.85 / (1 - 0.3435) = \$5.86$

Springmont customers only:

North Harris County Regional Water Authority .....\$6.20 per 1,000 gal. of water usage  
 $\$3.85 / (1 - 0.3789) = \$6.20$

Huffman Heights customers only:

City of Houston groundwater reduction plan fee .....\$1.23 per 1,000 gal. of water usage  
 $\$0.945 / (1 - 0.2315) = \$1.23$

Urban Acres customers only:

City of Houston groundwater reduction plan fee .....\$1.47 per 1,000 gal. of water usage  
 $\$0.945 / (1 - 0.3552) = \$1.47$

Meadowlake Estates subdivision customers only:

City of Houston groundwater reduction plan fee .....\$4.06 per 1,000 gal. of water usage  
 $\$2.52 / (1 - 0.3789) = \$4.06$

Pioneer Trails subdivision customers only:

Crystal Springs wholesale purchase water fee .....  
.....\$23.95 per connection plus \$8.38 per 1,000 gal. of water usage  
 $\$5.206 / (1 - 0.3789) = \$8.38$

Cypress Bend subdivision customers only:

North Harris County Regional Water Authority .....\$5.47 per 1,000 gal. of water usage  
 $\$3.85 / (1 - 0.296) = \$5.47$

Castlewood subdivision customers only:

City of Houston .....\$1.51 per 1,000 gal. of water usage  
 $\$0.945 / (1 - 0.3727) = \$1.51$

Beaumont Place subdivision customers only:

Harris County MUD No. 421 .....\$4.75 per 1,000 gal. of water usage  
*During the time of emergency interconnect with Harris County MUD No. 421, Undine's current gallonage charge will not apply*

Bell Manor subdivision customers only:

Purchased water fees for Johnson County Special Utility District .....  
.....\$2.51 per 1,000 gal. of water usage

Bear Creek Estates subdivision customers only:

Northern Trinity Groundwater Conservation District water production fee .....  
.....\$0.15 per 1,000 gal. of water usage  
 $\$0.125 / (1 - 0.15) = \$0.15$

All former Chuck Bell Water Systems, LLC customers only except Bear Creek Estates in Tarrant County:

Prairielands Groundwater Conservation District water production fee .....  
.....\$0.24 per 1,000 gal. of water usage

57. The agreed water rates and pass-through fees are just and reasonable.

**b. Undine Texas Environmental, LLC**

58. The signatories agreed that Undine Environmental's aggregate annual revenue requirement for sewer CCN numbers 20816, 20832, 21019, and 21026 is \$2,793,120.

59. The signatories agreed that Undine Environmental's annual revenue requirement includes the change in Undine Environmental's federal income tax rate from 34% to 21% as a result of the Tax Cuts and Jobs Act of 2017.

60. The signatories agreed that Undine Environmental should be allowed to implement the retail sewer rates below, which are located in the water tariff attached to the agreement as exhibit C.

**Rate Year 1**

**Effective Date: August 1, 2020**

Meter Size

Monthly Minimum Charge

All meters

\$75.00 flat rate

**Rate Year 2**

**Effective Date: August 1, 2021**

Meter Size

Monthly Minimum Charge

All meters

\$92.50 flat rate

**Rate Year 3**

**Effective Date: August 1, 2022**

Meter Size

Monthly Minimum Charge

All meters

\$110.00 flat rate



61. The signatories agreed that the sewer rate increases shown in exhibit C to the agreement will be phased in over three years such that each increase will not be effective less than 12 months after the preceding increase. The signatories further agreed that the three annual sewer rate increases will each increase rates by one-third of the agreed overall sewer revenue requirement increase.
62. The signatories agreed that the sewer rates shown in exhibit C to the agreement will be designed using the consolidated rate design methodology presented in the direct testimony of Chris Ekrut, with all customers being on a flat rate.
63. The signatories agreed that the rates shown in exhibit C to the agreement are just and reasonable and are in accordance with the public interest.
64. The agreed sewer rates are just and reasonable.

**Rate Base**

**a. Undine Texas, LLC**

65. The signatories agreed that the components of Undine Texas's rate base as of September 30, 2019, as set out in exhibit D to the agreement, are reasonable and necessary for water CCN number 13260.
66. The signatories agreed that Undine Texas's rate base includes net plant of \$8,127,750, total accumulated deferred federal income tax (ADFIT) of negative \$143,569, and total excess ADFIT of \$74,269.
67. The signatories agreed that Undine Texas's rate of return is 6.7%
68. The agreement's treatment of the water rate base and rate of return is appropriate.

**b. Undine Texas Environmental, LLC**

69. The signatories agreed that the components of Undine Environmental's rate base as of September 30, 2019, as set out in exhibit E to the agreement, are reasonable and necessary for sewer CCN numbers 20816, 20832, 21019, and 21026.
70. The signatories agreed that Undine Environmental's rate base includes net plant of \$9,650,542, total ADFIT of negative \$650,494, and total excess ADFIT of negative \$161,051.

- 71. The signatories agreed that Undine Environmental's rate of return is 6.7%.
- 72. The agreement's treatment of the sewer rate base and rate of return is appropriate.

**Agreed Tariff Provisions**

- 73. The signatories agreed to change Undine Texas's water tap fee to \$1,200 and to change Undine Environmental's tap fee to \$865.
- 74. The signatories agreed that the terms and conditions of the agreed tariffs are just and reasonable.
- 75. The terms and conditions of the agreed tariffs are just and reasonable, except that the reference on page 1 of the agreed sewer tariff to CCN number 21106 is incorrect and is not included in the sewer tariff approved by this Order.

**Rate-Case Expenses**

- 76. The signatories agreed that Undine Texas and Undine Environmental may recover \$329,467.16 as reasonable and necessary rate-case expenses in this docket.
- 77. The signatories agreed that the rate-case expenses will be allocated between Undine Texas and Undine Environmental based on the number of customers and recovered over 36 months.
- 78. The signatories agreed that Undine Texas will collect \$244,178.13 in rate-case expenses through a surcharge of \$1.12 per connection per month calculated as follows:  $\$244,178.13 \div 6,058 \text{ connections} \div 36 \text{ months} = \$1.12$ . The signatories further agreed that Undine Texas may collect the surcharge for 36 months or until the full \$244,178.13 is collected, whichever occurs first.
- 79. The signatories agreed that Undine Environmental will collect rate-case expenses through a surcharge of \$1.12 per connection per month calculated as follows:  $\$85,289.03 \div 2,116 \text{ connections} \div 36 \text{ months} = \$1.12$ . The signatories further agreed that Undine Environmental may collect the surcharge for 36 months or until the full \$85,289.03 is collected, whichever occurs first.

80. The signatories agreed that Undine Texas and Undine Environmental may not seek to recover any additional rate-case expenses incurred in connection with this application in a future proceeding.
81. The agreement's treatment of rate-case expenses is appropriate, and the agreed rate-case-expense surcharges are reasonable and necessary.

**Future Rate Cases**

82. The signatories agreed that Undine Texas and Undine Environmental will not file for an increase in base rates with an effective date that is less than 12 months after the effective date for the last phase of any phase-in identified in exhibits B and C to the agreement. This agreement does not apply to systems acquired by Undine Texas or Undine Environmental after September 30, 2019.
83. The agreement's provision regarding the earliest effective date for the next proceeding to increase Undine Texas or Undine Environmental's base rates is appropriate.

**Greensand Filter System**

84. The signatories agreed that Undine Texas will install a greensand filter system to address the Beechwood Water System's water quality issues. Undine Texas agreed not to include any costs associated with the initial purchase and installation of the greensand filter system in future base rates.
85. It is appropriate for Undine Texas not to include any costs associated with the initial purchase and installation of the greensand filter system in future base rates.

**Affiliate Cost Allocation**

86. Undine Operating, LLC allocates expenses to its affiliated entities, including Undine Texas, LLC and Undine Texas Environmental, LLC, based on meter equivalents or equivalent residential customers.
87. Undine Operating allocates expenses to Undine Texas, LLC and Undine Texas Environmental, LLC at cost without markup or profit.
88. The affiliate costs included in the rates approved in this Order are reasonable and necessary.

89. To the extent that payments to affiliated interests are included in the rates approved in this Order, the price charged to Undine Texas and Undine Environmental is not higher than prices charged by the supplying affiliate to its other affiliates or divisions for the same item or to unaffiliated persons or corporations.

**Effective Date**

90. In the application, Undine Texas requested approval of the proposed rate and tariff changes contained in its application to be effective no sooner than January 24, 2020.
91. On February 4, 2020, Commission Staff filed recommendations that included suspension of the effective date of proposed rates.
92. In Order No. 4 filed on February 18, 2020, the Commission ALJ suspended the effective date until October 15, 2020, which is 265 days from Undine Texas and Undine Environmental's proposed effective date.
93. On June 4, 2020, Undine Texas and Undine Environmental filed a motion to extend the effective date two weeks.
94. In SOAH Order No. 5 filed on June 8, 2020, the SOAH ALJs granted Undine Texas and Undine Environmental's motion, extending the suspension of the effective date until October 29, 2020.
95. On July 9, 2020, in response to SOAH Order No. 9, Undine agreed to extend the effective date of the proposed rate increase on a day-for-day basis as long as the matter remained abated.

**Interim Rates**

96. On August 13, 2020, the signatories filed an agreed motion to set interim rates requesting that interim water and sewer rates and customer service fees be effective August 1, 2020.
97. The interim rates are identical to the parties' agreed rates and the rates approved in this Order.
98. In SOAH Order No. 10 filed on August 21, 2020, the SOAH ALJs ordered that, effective August 1, 2020, the rates in the signatories' agreed motion be set as interim rates until superseded by order of the Commission.

**Informal Disposition**

- 99. More than 15 days have passed since the completion of the notice provided in this docket.
- 100. No hearing is necessary for this application.
- 101. The decision is not adverse to any party.
- 102. All parties are signatories to the agreement.

**II. Conclusions of Law**

The Commission makes the following conclusions of law.

- 1. Undine Texas, either singularly or in combination with other entities, is a utility, public utility, and water utility as those terms are defined in TWC § 13.002(23) and 16 TAC § 24.3(39).
- 2. Undine Environmental, either singularly or in combination with other entities, is a utility, public utility, and sewer utility as those terms are defined in TWC § 13.002(23) and 16 TAC § 24.3(39).
- 3. Undine Texas, either singularly or in combination with other entities, is a retail public utility as defined in TWC § 13.002(19) and 16 TAC § 24.3(31).
- 4. Undine Environmental, either singularly or in combination with other entities, is a retail public utility under TWC § 13.002(19) and 16 TAC § 24.3(31).
- 5. The Commission has authority over Undine Texas's application for a rate increase under TWC §§ 13.041 and 13.181.
- 6. Under TWC § 13.184(c) and 16 TAC § 24.12, Undine Texas and Undine Environmental bear the burden of proof to establish that the proposed rates are just and reasonable.
- 7. The Commission processed this docket in accordance with the requirements of the TWC, the Administrative Procedure Act,<sup>2</sup> and Commission rules.

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<sup>2</sup> Tex. Gov't Code §§ 2001.001–.903.

8. Undine Texas and Undine Environmental substantially complied with the requirement to provide notice of the rate application as required by TWC § 13.1871, 16 TAC § 24.27(d)(1), and the Administrative Procedure Act.
9. Undine Texas and Undine Environmental complied with the requirement in TWC § 13.1871 and 16 TAC § 24.27(d)(2) to provide notice of the hearing.
10. The rates approved in this proceeding are just and reasonable and are in the public interest under TWC § 13.182(a).
11. The rates approved in this proceeding are not unreasonably preferential, prejudicial, or discriminatory and are sufficient, equitable, and consistent in application to each class of customers in accordance with TWC § 13.182(b).
12. As required by TWC § 13.183, the rates approved in this Order will permit Undine Texas and Undine Environmental a reasonable opportunity to earn a reasonable return on their invested capital used and useful in rendering service to the public over and above their reasonable and necessary operating expenses and will preserve Undine Texas's and Undine Environmental's financial integrity.
13. An overall rate of return of 6.7% will not yield Undine Texas or Undine Environmental more than a fair return on the invested capital used and useful in rendering service to the public in accordance with TWC § 13.184(a) and 16 TAC § 24.41(c)(1).
14. The affiliate costs included in the rates approved in this Order comply with the requirements of TWC § 13.185(e) and 16 TAC § 24.41(b).
15. As required by TWC § 13.185(h), the rates approved by this Order do not include legislative advocacy expenses, the costs of processing a refund or credit, or any expenditure that is unreasonable, unnecessary, or not in the public interest.
16. In accordance with TWC § 13.185 and 16 TAC § 24.41(c)(2)(B), the rates approved in this case are based on original cost, less depreciation, of property used and useful in Undine Texas's and Undine Environmental's provision of service.
17. The consolidated system rates and tariffs approved by this Order comply with TWC §§ 13.145(a) and 13.182(d) and 16 TAC § 24.25(k) and (l).

18. The rate-case expenses approved in this Order are reasonable and necessary as required under 16 TAC § 24.44(a).
19. The rates approved in this Order comply with 16 TAC § 24.43(b)(1) regarding conservation.
20. It is not necessary for Undine Texas or Undine Environmental to implement a refund, credit, or surcharge to return or collect amounts recovered under the interim rates effective August 1, 2020 under 16 TAC § 24.37.
21. The requirements for informal disposition under 16 TAC § 22.35 have been met in this proceeding.

### **III. Ordering Paragraphs**

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders:

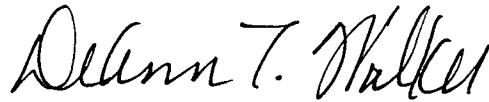
1. The Commission approves the rates, terms, and conditions of the agreement to the extent provided in this Order.
2. The Commission approves Undine Texas's water rate tariff attached to the agreement as exhibit B and Undine Environmental's sewer rate tariff attached to the agreement as exhibit C, effective the date that this Order is signed, except that the reference to CCN number 21106 is deleted from the sewer rate tariff.
3. Undine Texas and Undine Environmental must not file for an increase in base rates with an effective date that is sooner than 12 months after the effective date for the last phase of any phase-in identified in exhibits B and C to the agreement. This limitation does not apply to systems acquired by Undine Texas and Undine Environmental after September 30, 2019.
4. The Commission authorizes Undine Texas to collect rate-case expenses of \$244,178.13 through a surcharge of \$1.12 per connection per month to be collected for 36 months or until the full \$244,178.13 is collected, whichever occurs first.

5. The Commission authorizes Undine Environmental to collect rate-case expenses of \$85,289.03 through a surcharge of \$1.12 per connection per month to be collected for 36 months or until the full \$85,289.03 is collected, whichever occurs first.
6. Undine Texas and Undine Environmental must not seek to recover any additional rate-case expenses incurred in connection with this docket in a future proceeding.
7. The surcharges for rate-case expenses must be implemented in Docket No. 51419, *Compliance Docket of Undine Texas, LLC Related to Rate-Case Expense Surcharges in Docket No. 50200*.
8. Undine Texas must not include any costs associated with the initial purchase and installation of the greensand filter system in future base rates.
9. The Commission does not decide in this proceeding which entity or combination of entities constitutes the utility or the retail public utility. The Commission reserves these decisions for a future proceeding.
10. Entry of this Order does not indicate the Commission's endorsement or approval of any principle or methodology that may underlie the agreement and must not be regarded as precedential as to the appropriateness of any principle or methodology underlying the agreement.
11. Within ten days of the date of this Order, Commission Staff must file a clean copy of Undine Texas's and Undine Environmental's tariffs with central records to be marked *Approved* and kept in the Commission's tariff book.
12. The Commission denies all other motions and any other requests for general or specific relief that have not been expressly granted.



Signed at Austin, Texas the 5<sup>th</sup> day of November 2020.

PUBLIC UTILITY COMMISSION OF TEXAS



DEANN T. WALKER, CHAIRMAN



ARTHUR C. D'ANDREA, COMMISSIONER



SHELLY BOTKIN, COMMISSIONER